Minutes of Meeting

Health Services Council

Project Review Committee-I

DATE: 14 February 2006 TIME: 3:00 PM

LOCATION: Health Policy Forum

ATTENDANCE:

Committee I: Present: John W. Flynn, Robert J. Quigley, DC, (Chair), Robert Whiteside

Not Present: Joseph V. Centofanti, MD, John Keimig, Richard Lepine, Robert S.L. Kinder, MD, Robert Ricci, John Young

Excused Absence: Victoria Almeida, Esq, (Vice Chair), Edward F. Almon, Robert L. Bernstein

Staff: Valentina D. Adamova, Michael K. Dexter, Andrea Therrien (Intern)

Public: (Attached)

1. Call to Order, Approval of Minutes, Conflict of Interest Forms and

Time Extension for the Minutes Availability

The meeting was called to order at 3:05 PM. The Chairman noted that conflict of interest forms are available to any member who may have a conflict. The Chairman requested a motion for the extension of time for the availability of minutes pursuant to the Open Meetings Act. A motion was made, seconded and passed by three in favor and none opposed (3-0) that the availability of the minutes for this meeting be extended beyond the time frame provided for under the Open Meetings Act. Those members voting in favor were: Flynn, Quigley, Whiteside.

2. General Order of Business

The first item on the agenda was the application of Radius 1275 Operating, LLC for change in effective control of Waterview Villa at 1275 South Broadway in East Providence.

Staff reviewed its memo. The memo summarized certain points from the application including identification of the principals of the applicant and the management company. To a question regarding equity requirements, staff stated that the minimum requirement is 20%. Staff noted that information regarding the purchase of real estate was provided for informational purposes only. Staff stated that the cost of the acquisition of the operations is $1 million and that the

applicant provide information that it is in compliance with the equity requirement.

To a question regarding the real estate acquisition, Mr. Goulet, legal counsel to the applicant, stated that that the real estate acquisition would not require a review. He noted that the licensee is selling the operations to the applicant while a separate entity is selling the building.

A committee member asked if the equity requirements were met even though the principals were the same for both selling entities. Mr. Goulet stated that legally those are two separate entities despite the fact that both entities consist of the same stakeholders. Mr. Flynn expressed a concern that someone may have the ability to offload 80% of the value of the facility before structuring a deal in which only 20% of the facility would be reviewed. It was noted that the seller's realty company and the operating corporation were formed at different times. Staff stated that it administratively agreed to limit the review to the operating company but all of the information was requested for information purposes. The Chairman shared the concern about the two deals.

The Chairman asked what kind of appraisal was performed to come to the agreed price of the operation. The applicant responded that no appraisal was done, but an agreement was made between the two parties to split the two assets. Staff stated that the concern was

actually how the $6 million was split into $5 million and $1 million deals. Mr. Goulet stated that there is 20% equity contribution across the transaction regardless of how the $6 million was split. A committee member asked the applicant to explain the 20% equity contribution on the real estate, or the $1 million class B membership. Mr. Goulet answered that there are two classes of membership interest in the realty company. He stated that Class A members consists of principals and Class B shares were sold to outside investors which raised $1 million. It was noted that Class B shares have no control.

The Chairman asked how long the lease of the property calculated. It was noted that the draft lease has a 5-year term and can be renewed unless the property is sold. It was noted that if the property were to be sold, the nursing home would not close because the operations are separate from the property. The applicant responded that the operator and the Class A stakeholders would either find a buyer to buy the facility or keep running and operating the facility.

A discussion ensued regarding the concern of the Committee about the equity contribution and control. Staff recommended that a list of follow up question be sent to the applicant to identify additional information. The Chairman asked that an advisory be requested from John Young, Associate Director, Department of Human Services.

The representatives of the applicant introduced themselves. The

applicant discussed its operations in Massachusetts and Rhode Island. The applicant noted that it could bring staff from Massachusetts to support the Rhode Island facility. The Chairman requested that the applicant provide a statement regarding the safety status of the building. A Committee member requested that the applicant provide information about its record of operations in Massachusetts. To a concern about the management fee, the applicant responded that the management fee consists of a base fee of 3% of the facility's net patient service revenue and is adjustable. To a question concerning accreditation, the applicant stated that it would seek JACHO accreditation for this facility. The Chairman requested that a list of Class B investor be provided.

The applicant noted that it had been hired in the past to manage two nursing homes in Rhode Island, one of which was in receivership and one that later closed.

There being no further business the meeting was adjourned at 4:00 PM.

Respectfully submitted,

Valentina D. Adamova